

Environmental and Social Review Summary (“ESRS”)

Banco FIE / 13441-01 – Bolivia

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- 1. Scope of Environmental and Social Review:** The environmental and social (E&S) analysis of the proposed transaction consisted in reviewing the documentation and holding conversations with the Bank’s National General Management, National Finance Management, National Performance and Social Responsibility Management, National Credit Risk Undermanagement and National Integral Risk Management areas.

Even though Banco FIE S.A. is a new client for IDB Invest, it has experience with other multilateral credit agencies (CAF), multinational banking institutions (Rabobank) and others institutions like BlueOrchad, Invest In Visions.

- 2. Environmental and Social Categorization and Rationale:** The proposed transaction is categorized as an FI-2 per IDB Invest’s Environmental and Social Sustainability Policy. The subprojects, to the micro and small enterprise assets class, receiving the support have a medium or moderate risk potential since they include 25% earmarked for the agricultural sector (crop production, cattle rearing and forestry). That is to say, Banco FIE’s portfolio includes a limited number of economic activities with potential adverse E&S impacts or risks, which are diverse, irreversible or unprecedented. Also, Banco FIE S.A. is one of the most important banks in terms of agricultural financing in Bolivia.

Banco FIE S.A. defines micro and small enterprises following current regulations issued by the ASFI (Financial System Supervision Authority), which bases its classification on a three-variable index calculated on a yearly basis: revenue for sales or services, equity and employee headcount. The micro and small enterprises portfolio comprises four main sectors: services 27%, agribusiness 25%, production (manufacturing) 25% and commerce 23%. Out of the loans, 42% has terms of 3 to 5 years, 41% is over 5 years while 17% is under 3 years. Average loans to micro and small enterprises amount to US\$6,500 and US\$54,000, respectively. Banco FIE S.A. has a loan portfolio in the nine departments of Bolivia, but with a higher concentration in La Paz (52%), Santa Cruz (14%) and Cochabamba (14%). Cochabamba is a region with hydric stress and Santa Cruz presents heat spots and forest fires.

- 3. Environmental and Social Risks and Impacts:** The main E&S risks of this transaction are associated with Banco FIE’s capacity to identify and manage the E&S risks associated with its lending activities. The potential risks associated with its main lending activities include biodiversity impacts, deforestation, pollution prevention and mitigation.

Banco FIE S.A. as of June 2021, had a 3,146 employees distributed among a National Office, 8 Regional Offices, and 137 Business Agencies displaced in the 9 capital cities of bolivian departments, peri-urban locations and rural locations. Of the 137 Business Agencies nationwide, 51% are located in peri-urban and rural areas.

4. Mitigation Measures: Banco FIE S.A. has an Exclusion List as part of its credit policy, including basic procedures to identify and mitigate E&S risk of its loans (e.g. E&S record card). Since 2015, the Credit Risk Management SubUnit has been recording risk events arising from environmental factors (fires, heat spots, floods, frosts/hailstorms) for preemptive identification of the most vulnerable areas (municipalities) and prepares a detailed mapping of such factors. However, The Bank does not have in place an environmental and social management system (ESMS) yet to identify and manage the E&S risks of its portfolio. The development and implementation of an ESMS is within the Bank’s objectives as part of the Organizational Ethics initiative which will be executed by the National Integral Risk Management Unit. As part of the ESMS, the Bank plans to include an E&S sustainability policy, due diligence procedures and internal capacity strengthening.

The Bank has in place a Social Responsibility Policy and Norms to manage the relationship with its ten stakeholder groups: shareholders, board, top management, workers, financial consumers, community, suppliers, regulatory agencies, competitors and financiers. Through its relations with the stakeholders, the Bank may identify and manage any emerging social risks.

Banco FIE S.A. prepares a sustainability report since the 2017 management following the international standard GRI and, since 2019 management, the relation with the Sustainable Development Objectives. Since 2006, the Bank has been part of the United Nations Global Compact and in 2018 obtained a Client Protection certification.

Banco FIE S.A. should draft an ESMS in order to assess, manage and monitor E&S risks based on the IFC’s Performance Standard 1. The ESMS will require that all loans supported comply with IDB Invest’s Exclusion List and applicable local E&S laws. For the Borrower to know IDB Invest’s requirements better, Banco FIE S.A., will participate in the E&S risks training course for financial intermediaries organized by IDB Invest.

5. Environmental and Social Action Plan (ESAP):

ITEM	TASK	ACTIVITY	DELIVERABLE	COMPLIANCE
1	Develop and implement an Environmental and Social Management System (ESMS)	1. Develop an ESMS following the guidelines in IFC Performance Standard 1 ¹ . Particularly, the ESMS should include the E&S due diligence processes/procedures to identify risks and impacts, and comply with local regulations applicable to the agricultural segment. Train all the risk and corporate social responsibility personnel on the ESMS implementation.	1. Environmental and Social Management System (ESMS)	1. Six months after the disbursement of Tranche I committed

¹ www.ifc.org/wps/Interpretation%2BNote.pdf?MOD=AJPERES&CVID=n27ywSg

		2. Implement the Environmental and Social Management System.	2. Evidence of the implementation of the ESMS to be determined jointly with Banco FIE S.A..	2. Ten months after submitting the ESMS
2.	Organizational capacity	<ol style="list-style-type: none"> 1. Assign personnel in charge of implementing the ESMS. 2. Train such personnel to identify E&S risks through a course at IDB Invest's satisfaction. 	<ol style="list-style-type: none"> 1. Functions Assignment Memorandum 2. Training certification 	<ol style="list-style-type: none"> 1. One month after the disbursement of Tranche I committed 2. Three months after the disbursement of Tranche I committed

6. **Contact Information:** For project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see **Investment Summary** tab), or IDB Invest using the email requestinformation@idbinvest.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MIICI@iadb.org, or calling +1(202) 623-3952.